

94TH CONGRESS }
2d Session }

HOUSE OF REPRESENTATIVES

{ REPORT
{ No. 94-1740

OFF-BUDGET ACTIVITIES OF THE FEDERAL GOVERNMENT

SEPTEMBER 30, 1976.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

Mr. ADAMS, from the Committee on the Budget, submitted
the following

REPORT

The Committee on the Budget, as required by section 606 of the Congressional Budget Act, submits the following report on those provisions of law which exempt agencies of the Federal Government, or any of their activities or outlays, from inclusion in the Budget of the United States Government transmitted by the President under section 201 of the Budget and Accounting Act, 1921.

This report was developed by the Committee's Task Force on Tax Expenditures and Off-Budget Agencies under the chairmanship of the Honorable Sam Gibbons of Florida, and was adopted by the Committee on September 30, 1976.



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1976

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PURPOSE OF THIS REPORT

The Congressional Budget Act of 1974 (PL 93-344) provides:

Section 606. The Committees on the Budget of the House of Representatives and the Senate shall study on a continuing basis those provisions of law which exempt agencies of the Federal Government, or any of their activities or outlays, from inclusion in the Budget of the United States Government transmitted by the President under section 201 of the Budget and Accounting Act, 1921. Each committee shall, from time to time, report to its House its recommendations for terminating or modifying such provisions.

This Report contains the findings and recommendations of the House Budget Committee as a result of its study of agencies, programs

and government-sponsored enterprises not reflected in the Budget of the United States. The findings are the result of study by members and staff of the House Budget Committee, reports and analyses by the Congressional Budget Office, material provided by the Library of Congress, and a series of hearings at which spokesmen testified for agencies, programs, and enterprises whose financial transactions are reported in Part IV—Annexed Budgets—of the Budget of the United States (pages 907–931 of the Appendix to the Budget for Fiscal Year 1977).

SUMMARY AND RECOMMENDATIONS

The Committee has carefully considered the history of budget treatment of each of the off-budget agencies and programs, the financial relationships of each enterprise to the Federal budget and other Federal program activities, and the testimony of expert witnesses.

The recommendations of the Taks Force are as follows:

(1) Six off-budget agencies and programs identified in the annexed budgets in the Budget Appendix as "Government-Owned Activities", *viz.*, the U.S. Postal Service, the Rural Electrification and Telephone revolving fund, the Rural Telephone Bank, the Housing for the Elderly or Handicapped fund, the U.S. Railway Association, and the Pension Benefit Guaranty Corporation, should be included within the Budget (the so-called unified budget) presented by the President pursuant to section 201 of the Budget and Accounting Act of 1921.

(2) The expenses of the Exchange Stabilization Fund should be included within the unified budget, only the foreign exchange transactions of the Fund should remain outside the unified budget.

(3) Appropriate legislative committees should report legislation to accomplish recommendations (1) and (2) at the earliest feasible date.

(4) The Budget Committees, legislative committees, and other interested parties should study further the appropriate status of the Federal Financing Bank and organizations currently identified as "Government-sponsored Enterprises" in the annexed budgets in the Budget Appendix to determine if their transactions should be included within the unified budget.

(5) All future government-sponsored enterprises should initially be included within the unified budget, pending the results of studies pursuant to recommendation (4); it is the Committee's view that many sets of criteria (e.g., private ownership, substantial Federal involvement) may determine inclusion or exclusion of Federally sponsored activities in the unified budget.

I. SCOPE OF STUDY

The present study of off-budget programs, agencies and government-sponsored enterprises focuses on the group of organizations and entities included in Part IV—Annexed Budgets—of the Budget of the United States Government for Fiscal Year 1977 (Appendix).

The Budget divides these into two groups: Government-Owned Activities, and Government-Sponsored Credit Enterprises.

Government-Owned Activities include the following:

Department of Agriculture:

Rural Electrification and Telephone revolving fund loan authorizations.

Rural Telephone Bank.

Department of Housing and Urban Development: Housing for the Elderly or Handicapped.

Department of Labor: Pension Benefit Guaranty Corporation.

Department of the Treasury:

Environmental Financing Authority (expired).

Exchange Stabilization Fund.

Federal Financing Bank.

Export-Import Bank of the United States.

Board of Governors of the Federal Reserve System.

U.S. Postal Service.

United States Railway Association.

Energy Independence Authority (proposed).

These agencies, as stated on page 11 of the 1977 Budget, "... are Federally owned and controlled but their transactions have been excluded from the budget totals under provisions of law. Therefore, their fiscal activities are not reflected in either budget outlays or the budget surplus or deficit, and appropriation requests for their activities are not included in the totals of budget authority. The debt of these agencies is part of the gross Federal debt but is not subject to the statutory debt limit."

The President's Budget for 1977 further observes: "In many cases there is little or no justification for off-budget treatment."

Budget authority for the government-owned off-budget activities included in Part IV of the Budget totalled \$18 billion in fiscal year 1975 and outlays amounted to \$9.6 billion, including the Exchange Stabilization Fund, the Board of Governors of the Federal Reserve System, and the Federal Financing Bank. Tables 1 and 2 at the end of this report provide detailed information on these totals.

Budget authority and outlays completely escape the new Congressional budget process, except for the effect that Federal Financing Bank operations funded through borrowing from the Treasury increased the amount of the total public debt. These off-budget transactions, significant in total as part of budget aggregates considered by Congress in connection with budget resolutions, also represent substantial additions to Federal involvement in several individual functional categories in the budget.

Other Fiscal Activities Not Reflected in the Budget.—A number of governmental entities, ordinarily described as "Government-sponsored enterprises" are also charged with carrying out functions similar or directly related to Federal government activities but not included within the unified budget outlays or deficit. Those whose estimates are included in Part IV of the Appendix to the Budget are credit enterprises, involved in making loans and advances or guaranteeing obligations or assets of financial institutions.

Part IV of the 1977 Budget Appendix includes the following government-sponsored credit enterprises:

Department of Health, Education and Welfare: Student Loan Marketing Association.

Department of Housing and Urban Development: Federal National Mortgage Association.

Farm Credit Administration:

Banks for Cooperatives.

Federal Intermediate Credit Banks.

Federal Land Banks.

Federal Home Loan Bank Board:

Federal Home Loan Banks.

Federal Home Loan Mortgage Corporation.

These Government-sponsored enterprises were established and chartered by the Federal Government to perform specialized functions. The current rule governing the budget treatment of these enterprises was established in 1967 in accordance with a recommendation by the President's Commission on Budget Concepts. The Commission recommended that the budget exclude those Government-sponsored enterprises that are entirely privately owned.

Budget authority for the government-sponsored credit enterprises shown in Part IV of the 1977 Budget Appendix amounted to \$19.5 billion in fiscal year 1975 and outlays amounted to \$8.4 billion. Tables 3 and 4 at the end of this report provide details.

Exchange Stabilization Fund.—Part IV of the Budget Appendix also includes schedules showing the activities of the Exchange Stabilization Fund in the Department of the Treasury. Administrative activities are shown for all years covered by the Budget; total activities (including foreign exchange and other program transactions) are shown only for the last completed fiscal year.

The Exchange Stabilization Fund represents a special case inasmuch as there is no effect from its program transactions on the Federal debt. The Fund is fully owned by the U.S. Government, and its activities are fully self-financing by law, its capital having been derived from the revaluation of the dollar in 1934.

The administrative and operating expenses of the fund are indistinguishable from similar other expenses of the Department of the Treasury and constitute, in the Committee's view, an unbudgeted and uncontrolled supplementation of the Treasury Department's budget.

Board of Governors, Federal Reserve System.—Part IV of the Budget Appendix likewise includes budget schedules (on a calendar year basis) for the expenses of the Board of Governors of the Federal Reserve System. This account, as presented in the Budget Appendix, includes only the operating expenses (including capital outlay) of the Board itself; it does not include expenditures of the twelve Federal Reserve Banks or the program operations of the banks or the Federal Open Market Committee.

The Task Force has not held hearings with representatives or spokesmen for the Board of Governors. It is the Committee's view that the expenses and budget status of the Board should be considered at a later time.

Federal Financing Bank.—The Federal Financing Bank in the Treasury Department was established in 1973 to provide coordination of Federal and federally assisted borrowing programs, through centralizing the issuance of debt obligations to the private sector and thus avoiding confusion, duplication, overlapping, and market congestion. There is no doubt that the Bank has been outstandingly successful in

achieving this purpose. However, the authorizing statute included a provision permitting the Bank to purchase guaranteed obligations of any government agency. Use of this authority to purchase guaranteed loans has substantially exceeded all expectations. The use of Federal loan guarantees is a continuing concern of the Budget Committee, inasmuch as such guarantees may represent the creation of a binding commitment on the Federal Treasury, even though not provided in the usual way through advance budget or entitlement authority and thus not subject to the fiscal control of the Budget Act.

Studies of the Federal Financing Bank and similar forms of Federal credit operations are under way by the Board of Governors of the Federal Reserve System and the Treasury Department, at the request of the Budget Committee, the Committee on Banking, Currency and Housing, and the Committee on Ways and Means. The Committee concludes that simply including the Federal Financing Bank in the budget totals at this time would not necessarily provide effective Congressional control of clients of the Federal Financing Bank; agencies and instrumentalities that use the Bank's facilities could otherwise continue their operations through a return to uncoordinated and uneconomical market intervention. Accordingly, the Committee defers a recommendation on the budget status of the Federal Financing Bank until the special report by the Federal Reserve System and the Treasury has been completed.

II. HISTORY OF CURRENT BUDGET TREATMENT

The most recent comprehensive analysis of the inclusiveness and/or exclusiveness of the Federal Budget as presented annually to Congress pursuant to the Budget and Accounting Act of 1921 is the report of the President's Commission on Budget Concepts (1967).

This section of the report summarizes the findings, conclusions and recommendations of the Report of that Commission and outlines developments in inclusion and exclusion from the unified budget since that time.

The President's Commission on Budget Concepts issued a report in 1967 which became the basis for the adoption of the unified budget in fiscal year 1969.¹

Notwithstanding the implementation of the unified budget concept, a number of the off-budget agencies have been created since 1969, and certain existing agencies have been removed from the budget. There has also been a very large increase in loan guarantees and in loans made by Government-sponsored enterprises. These recent developments indicate that it is time to take another look at the concepts underlying the current budget and determine whether changes should be made either in the budget concepts or the treatment of some of the agencies.

Recommendations of the Commission on Budget Concepts

The principal recommendations of the Commission were:

- (1) The budget should include the full range of Federal activities unless there are exceptionally persuasive reasons for exclusion.

¹ Report of the President's Commission on Budget Concepts," and "Staff Papers and Other Material Reviewed by the President's Commission," U.S. Government Printing Office, October 1967.

(2) Government-sponsored enterprises that are completely privately owned should be excluded from the budget.

(3) Receipts and expenditures of the Federal Reserve System should be excluded from the budget. Payments of excess Federal Reserve profits to the Treasury should be included in the budget as a federal budget receipt.

(4) United States transactions with the International Monetary Fund should be excluded from the budget receipts and expenditures.

(5) The Commission recommended that separate budgetary accounts be maintained for loans and for other expenditures, and that the surplus or deficit be calculated by comparing expenditures other than loans with budget receipts.

The Commission made no recommendation on guaranteed loans, observing that "inclusion of direct loans in the budget particularly with separate identification and emphasis may operate toward further expansion of guaranteed and insured loans not warranted by program considerations." The report added that further study is needed and that it might be desirable to establish new procedures for reviewing the authorizations and ceilings on insured and guaranteed loan programs.

Changes since the unified budget was adopted

One of the most significant changes of recent years has been the creation of additional off-budget agencies. The fiscal year 1977 budget include data on eight off-budget agencies listed below (the first fiscal year during which each started operations as an off-budget agency is indicated in parentheses):

U.S. Postal Service, (FY 1974).

Rural Electrification and Telephone revolving fund, (FY 1973).

Rural Telephone Bank, (FY 1973).

Federal Financing Bank, (FY 1974).

Housing for the Elderly or Handicapped fund, (FY 1975).

Pension Benefit Guarantee Corporation, (FY 1975).

United States Railway Association, (FY 1975).

Energy Independence Authority, (proposed for FY 1977).

Government-Sponsored credit enterprises

In addition to the creation of off-budget agencies, another major change since adoption of the unified budget has been the increase in the amount of loans and loan guarantees, especially those of government-sponsored credit enterprises. In fiscal year 1967 there were only two government-sponsored credit enterprises, and they had some \$10 billion in outstanding loans. By the end of fiscal year 1977 there will be seven with outstanding loans estimated at \$110 billion.

According to the President's Commission on Budget Concepts, the only criterion for putting a government-sponsored corporation off-budget should be complete private ownership. The increase in the number of such enterprises indicates that this condition may in some cases be attained with relative ease. Status as a government-sponsored enterprise, even when all government capital and guarantee of borrowing is withdrawn, confers several advantages; including an interest rate on borrowing which, although not explicitly guaranteed by the Federal government, is somewhat lower than might otherwise be available without the use of the Federal name. The argument that

absence of direct Federal investment necessarily removes a Federally sponsored credit enterprise from budgetary control by the Congress and the Executive is subject to reexamination in view of the expansion in number and influence of such enterprises and the emerging consciousness of the need for comprehensive integrated consideration of all the credit activities of the Federal government.

It may be anticipated that proposals for escaping comprehensive budgetary control will tend to move toward creation of government-sponsored agency status. At the very least, exclusion from the unified budget should not be considered until all direct Federal support has been eliminated, whether represented in the form of capital investment, full faith and credit guarantee of debt, or other pipelines to the Federal Treasury.

Effects of adoption of committee recommendations

The Committee's current recommendations, summarized below and explained in greater detail in the balance of this report, would necessarily have the effect of increasing both budget outlays and budget deficit.

Budget Aggregates.—Budget outlays and budget deficits for fiscal year 1975, for example, would both increase by \$3.2 billion (\$9.5 billion if all transactions of the Federal Financing Bank were included.) This would raise budget outlays from the \$324.6 billion previously reported for fiscal year 1975 to \$327.8 billion (\$334.1 billion if Federal Financing Bank were included), and would increase the budget deficit from the \$43.6 billion previously reported to \$46.8 billion (or \$53.1 billion, including the Federal Financing Bank).

Results for fiscal year 1976 (preliminary figures only) would change from the reported deficit of \$65.6 billion to \$67.7 billion (\$73.6 billion including the Federal Financing Bank). Budget outlays would increase from the reported figure of \$365.6 billion to \$367.7 billion (\$373.6 billion including the Federal Financing Bank).

The following table recapitulates these figures:

[In billions of dollars]

	Fiscal year	
	1975 actual	1976 preliminary
Budget outlays:		
As reported.....	324.6	365.6
Including wholly owned off-budget agencies:		
Without Federal financing bank.....	327.8	367.7
With Federal financing bank.....	334.1	373.6
Budget deficit:		
As reported.....	43.6	65.6
Including wholly owned off-budget agencies:		
Without Federal financing bank.....	46.8	67.7
With Federal financing bank.....	53.1	73.6

Adoption of the recommendations of the Committee would, in the ordinary procedure, require action by the several legislative committees with jurisdiction over the programs involved. Full implementation of the recommendations, therefore, would result from changes in substantive law, and would be equally binding on both the Executive and the Legislative Branch. In effect, the figures employed by all participants in the budget process would be adjusted upward to a new more realistic and comprehensive set of aggregates.

It may initially be difficult for members of Congress and the public to understand why budget outlays and deficit should increase. The answer to this question, although a simple one in fiscal terms, may be politically difficult. It is imperative that future budgets, if the recommendations of the Committee are adopted, include full information and retroactive adjustments in figures reported previously.

Functional Categories.—One of the primary reasons for reflecting the activities of off-budget agencies within the unified budget is to provide a more comprehensive framework for the debate on national priorities provided for in the Congressional budget process. Accordingly, it is appropriate to examine the differential effects of the Committee's current recommendations on the composition of the total budget by the seventeen functional categories used for priority analysis.

As the following table shows, adoption of the Committee's current recommendations would involve shifts in amounts of budget authority and outlays for several functional categories; especially international affairs (150), natural resources, environment, and energy (300), and commerce and transportation (400).

EFFECT OF COMMITTEE RECOMMENDATIONS ON BUDGET OUTLAYS
[In millions of dollars]

	1975 actual	1976 preliminary
050—National defense.....	86,533	90,215
150—International affairs.....	4,356	4,462
Add: Export-Import Bank.....	1,504	746
Subtotal.....	5,860	5,208
250—General science, space, and technology.....	4,048	4,197
300—Natural resources, environment, and energy.....	9,567	11,674
Add rural electrification and telephone revolving fund authorizations.....	477	213
Subtotal.....	10,044	11,887
350—Agriculture.....	1,667	1,994
400—Commerce and transportation.....	16,010	17,239
Add Housing for the elderly.....	-13	-15
U.S. Postal Service.....	1,112	1,085
Subtotal.....	17,019	18,309
450—Community and regional development.....	4,431	5,023
Add rural telephone bank.....	110	93
Subtotal.....	4,541	5,116
500—Education, training, and social services.....	15,249	17,678
550—Health.....	27,647	33,601
600—Income security.....	108,605	126,896
Add pension benefit guaranty corporation.....	-34	-22
Subtotal.....	108,571	126,874
700—Veterans benefits and services.....	16,594	18,444
750—Law enforcement and justice.....	2,942	3,325
800—General government.....	3,087	2,951
850—Revenue sharing and general purpose fiscal assistance.....	7,006	7,114
900—Interest.....	30,975	35,500
950—Undistributed offsetting receipts.....	-14,075	-14,704
Total outlays, adjusted.....	327,798	367,710

Budgetary Control.—The Committee points out that reflecting the transactions of off-budget agencies within the unified budget does not necessarily provide additional measures of budgetary control over

the operations of these agencies. In common with many other aspects of the budget as it is now constructed, the transactions of the large majority of off-budget agencies are in the category of "uncontrollable" programs—that is, budget authority and outlays of these programs for any given fiscal year are not amenable to action by Congress other than by changes in existing law.

The reason for the Committee's recommendation for inclusion of certain agencies and programs now off-budget within the unified budget is to enhance the base of information available to Congress in considering overall fiscal policy and program priorities for each fiscal year—to expose to public view a more comprehensive statement of the budget authority, outlays, and deficit proposed as a part of overall fiscal policy.

Special problems with Government-sponsored enterprises

The Committee has refrained from making a recommendation at this time on inclusion of existing government-sponsored enterprises within the unified budget. Following the practice recommended by the President's Commission on Budget Concepts, existence of evidence of Government ownership has been the sole criterion for inclusion or exclusion in the unified budget. The Committee cannot subscribe to this sole criterion for budgetary treatment, and strongly suggests that interested parties consider the propriety of excluding programs and activities that receive Federal benefits of a most direct type from consideration together with and as a part of the budget totals. In most cases, it is doubtful that the market for investment funds, for example, considers the Government-sponsored enterprises to be completely private nor, in most cases, would a member of the general public draw this distinction. Each of the Government-sponsored enterprises is subject to some greater or lesser measure of Federal direction, and some implicit subsidy may be presumed to arise whenever borrowing from the public is undertaken.

The Committee, however, recommends that Congress not create new Federally sponsored enterprises with off-budget status, pending resolution of the question of appropriate criteria for the existing agencies.

Summary of testimony

Witnesses who testified before the Task Force were, in most cases, unable to ascribe reasons for the off-budget status of the agencies or programs they represented. Several witnesses, including those from the Department of Agriculture, the Department of Housing and Urban Development, and the U.S. Railway Association, recommended that off-budget status be terminated.

Speaking for the Department of Housing and Urban Development, Deputy Assistant Secretary John C. Weicher stated:

We believe that all direct loan expenditures [such as the section 202 program] require congressional scrutiny and should be included in the budget process. * * * Current budget policy regarding direct lending programs is inconsistent; some are included in the Federal budget while others, such as section 202, have been specifically excluded through legislation. This inconsistency leads to difficulty in interpreting Federal budget statistics and makes it extremely difficult

to control total Federal expenditures. * * * The most important reason for returning section 202 and other direct lending programs to the budget is to exert effective control over the magnitude of Federal intervention in the capital markets. * * * Bringing direct lending programs such as section 202 back into the budget is a step toward the fiscal integrity necessary to lower interest rates and stimulate housing.

The Assistant Secretary for Administration of the Department of Agriculture, J. Paul Bolduc, testified, "We believe in full exposure of all governmental costs as a means of fully assessing the Government's spending impact upon the national economy." Mr. Bolduc's prepared testimony remarked, "We are opposed to the special exemption of certain activities from the Federal budget. We believe that a Federal budget which arbitrarily counts outlays for one program against budget totals and ignores outlays for another program (1) disguises from the public the true level of Government spending, and (2) limit our capacity to understand and influence the Government's fiscal impact on the gross national product, unemployment, and inflation."

Specifically, Mr. Bolduc's statement relates the problem of off-budget agencies and programs directly to the new Congressional budget process:

We are concerned that continuation of this practice of exempting certain programs from budget limitations will seriously undermine the objectives of the Congressional Budget and Impoundment Control Act of 1974. Specifically, we do not believe that a budget from which major programs are exempted will permit Congress "to assure effective Congressional control over the budgetary process", "to establish national budget priorities," or "to provide for the furnishing of information by the executive branch in a manner that will assist the Congress in discharging its duties." These are all stated objectives of the 1974 Budget Control Act.

The witness for the U.S. Postal Service, Assistant Postmaster General Richard F. Gould, recommended continuation of off-budget status for the Postal Service, citing exclusion from apportionment, borrowing authorization, current control procedures, and difficulties with the ratemaking process as reasons. The Postal Service maintained in considerable detail that inclusion in the budget would compromise their ability to enter into arms-length collective bargaining with postal employees. Members of the Task Force pointed out that the exclusion of some part of the budget of the Postal Service from inclusion in overall budget aggregates deprived the Congress of oversight over a highly significant portion of postal expenditures and that utilization of the facilities of the Federal Financing Bank added to Federal debt but without affording Congressional budgetary control.

The Pension Benefit Guarantee Corporation is a self-financed agency that insures private pensions and assesses them to pay for its operations. According to the agency's Executive Director Kenneth L. Houck in his testimony before the Task Force on July 20, there is little in the agency's legislative history to illuminate Congressional intent, but the apparent reason was that the agency was self-financing and was not expected to require any new taxes. This rationale is not very convincing since other self-financed Federal agencies (such as the

Federal Deposit Insurance Corporation) have been included in the unified budget.

The reason advanced in testimony by the Treasury Department witness for off-budget status of the Federal Financing Bank is that the bank is a pass-through mechanism for agencies using the Bank. The Bank does not determine the amount of borrowing by client agencies but merely coordinates Federal agency financing and thus lowers borrowing costs. Putting the Bank on-budget but leaving client agencies off-budget might simply result in some of those agencies avoiding the Bank and going directly into the credit market.

Assistant Secretary of the Treasury Robert A. Gerard stated before the Task Force on July 20:

It is our view that [the Federal Financing Bank] must be treated for budget purposes in a manner identical to that of the agencies it serves. Any other approach—for example, placing the Bank “on budget,” but continuing to allow other agencies to generate Federally-backed credits without regard to budgetary constraints—would defeat some of the essentials objectives the Bank was established to serve.

An additional complication arises in the case of the Bank because it is allowed to buy any loan guaranteed by the Federal Government. As a result, guaranteed loans and direct loans become almost interchangeable, since the Federal Financing Bank does not exercise control over the guaranteed loans it purchases but substitutes its funds (which are in turn borrowed from the Treasury) for funds which otherwise would be provided by private lending institutions. This problem is exacerbated by the fact that the Bank buys loans guaranteed by a broad spectrum of agencies ranging from the Farmers Home Administration to the Department of the Defense. At the present time the total amount of new loans cannot be effectively controlled without restricting the ability of the agencies to guarantee loans for their clients.

In conclusion, there appears to be no convincing reason for continuing off-budget treatment of any of the seven existing off-budget agencies except possibly the Federal Financing Bank where the budgetary treatment has to be considered in conjunction with the treatment of other agencies using the Bank. In its report accompanying the First Concurrent Resolution on the Budget for Fiscal Year 1977, the House Budget Committee stated:

* * * the committee urges that programs to solve national problems be reflected on-budget, particularly with regard to the budget authority requested, in order to enhance the debate on federal priorities. Proposals for off-budget financing tend to disguise the overall size of the total federal commitment and confuse the debate on Federal priorities (p. 21)

III. EVALUATION OF CURRENT TREATMENT OF EACH OFF-AGENCY, PROGRAM OR GOVERNMENT-SPONSORED ENTERPRISE

The following section of this Report presents, for each of the off-budget agencies, programs, and government-sponsored enterprises,

summary information on (a) statutory authority, (b) Congressional control mechanisms (if any), (c) budget impact and funding levels; and (d) relationship to other Federal activities.

Rural Electrification and Telephone Revolving Fund loan authorizations

(a) Statutory authority: Removed from budget by Section 304 of the Rural Electrification Act Amendments of 1973 (P.L. 93-32).

(b) Congressional control: Oversight and legislative responsibility is assigned to the Committees on Agriculture. Annual limitations on electrification and telephone loans are provided by the Appropriations Committees. (The 1977 Budget also proposed a limitation on the amount of guaranteed loans, but this proposal was rejected by the Appropriations subcommittees.)

(c) Budget impact and funding levels: Budget authority for FY 1977: \$1 billion. Estimated outlays for FY 1977: \$547 million.

(d) Relationship to other Federal activities: The Rural Electrification Administration is an integral part of the Department of Agriculture. Salaries and expenses of REA are appropriated (on budget). Funds for loans and satisfaction of guarantees are borrowed from Treasury.

Rural Telephone Bank

(a) Statutory authority: Removed from budget by Rural Electrification Act amendments of 1973 (PL 93-32).

(b) Congressional control: Oversight and legislative responsibility is assigned to the Committees on Agriculture. An annual appropriation (off-budget) is provided for purchase of Class A stock of the Rural Telephone Bank. Appropriations Acts also carry authorization for expenditures pursuant to the Government Corporation Control Act.

(c) Budget impact and funding levels: Budget authority for FY 1977: \$1,065 million. Estimated outlays for FY 1977: \$148 million.

(d) Relationship to other Federal activities: The Rural Electrification Administrator (Chief executive officer of the Bank) is an official of Department of Agriculture. Loans by the Bank supplement loans from the REA revolving fund discussed above. All loan funds (except for minor amounts provided from stock subscriptions by borrowers) are derived from Treasury borrowings.

Housing for the Elderly or Handicapped Fund

(a) Statutory authority: Removed from the budget by section 210(B)(ii) of Housing and Community Development Act of 1959 as amended by Housing and Community Development Act of 1974 (PL 93-383).

(b) Congressional control: Oversight and legislative responsibility is assigned to the Committees on Banking and Currency. Annual limitation on increase in aggregate loans are provided in Appropriations Acts.

(c) Budget impact and funding levels: Budget authority for FY 1977: \$356 million. Outlays for FY 1977: \$111 million.

(d) Relationship to other Federal activities: Administrative expenses in connection with the program are appropriated (on budget). Most loans involve a supplementary subsidy from the section 8 housing assistance program. Loans are funded by Treasury borrowings.

Pension Benefit Guaranty Corporation

(a) Statutory authority: Off-budget status is provided by section 4002(a)(2) of the Employee Retirement Income Security Act of 1974 (PL 93-406).

(b) Congressional control: Oversight and legislative responsibility is assigned to the House Education and Labor and Senate Labor and Public Welfare Committees. Annual Appropriations Acts contain an authorization for expenditures pursuant to the Government Corporation Control Act.

(c) Budget impact and funding levels: Budget authority for FY 1977: \$ None. Outlays for FY 1977: \$-7 million.

(d) Relationship to other Federal activities: The Secretary of Labor is Chairman of the Corporation Board; the Secretaries of the Treasury and of Commerce also serve on the Board.

Federal Financing Bank

(a) Statutory authority: Off-budget status is provided by section 11(c) of the Federal Financing Bank Act of 1973 (PL 93-224).

(b) Congressional control: Oversight and legislative responsibility is assigned to the House Ways and Means and Senate Banking Committees.

(c) Budget impact and funding levels: Budget authority for FY 1977: \$12,215 million. Estimated outlays for FY 1977: \$8,191 million.

(d) Relationship to other Federal activities: The Bank's interrelationships with other Federal programs are pervasive, and provide both direct financing and purchase of guaranteed loans from non-Federal lenders.

U.S. Postal Service

(a) Statutory authority: Removed from the budget by Presidential decision pursuant to 1974 amendments to Postal Reorganization Act of 1970 (PL 91-375).

(b) Congressional control: Oversight and legislative responsibility is assigned to the Post Office and Civil Service Committees. In addition, a substantial part of the annual postal deficit is funded by appropriations (on budget).

(c) Budget impact and funding levels: For FY 1977, estimated receipts of the Postal Service are \$12.6 billion, the on-budget subsidy is \$1.7 billion, total expenses \$15.4 billion, and net outlays \$1.1 billion.

(d) Relationship to other Federal activities: The nonappropriated (off-budget) postal deficit is financed by borrowing from Federal Financing Bank.

United States Railway Association

(a) Statutory authority: Section 202(F) of Regional Rail Reorganization Act of 1973 (PL 93-236) excluded USRA nonadministrative expenses from budget; 1976 amendments bring major portions of funding on-budget.

(b) Congressional control: Oversight and legislative responsibility is assigned to the House Interstate and Foreign Commerce and Senate Commerce Committees. Administrative expenses are appropriated (on budget); a \$236 million appropriation is also provided to fund guaranteed-loan forgiveness.

(c) Budget impact and funding levels: Budget authority for FY 1977: \$-0—. Estimated outlays for FY 1977: \$-2 million.

(d) Relationship to other Federal activities: Funding of loans to USRA and guaranteed loan purchases are provided by the Federal Financing Bank. The Secretary of Transportation is guarantor.

Student Loan Marketing Association

(a) Statutory authority: Section 133(a), PL 92-318. Off-budget status based on ownership of all capital stock (\$25 million) by lenders eligible to sell student loans to SLMA.

(b) Congressional control: Oversight and legislative responsibility is assigned to the House Education and Labor and Senate Labor and Public Welfare Committees.

(c) Budget impact and funding levels: Budget authority for FY 1977: \$335 million. Estimated outlays for FY 1977: \$332 million.

(d) Relationship to other Federal activities: The Secretary of HEW oversees and directs SLMA activities and also guarantees SLMA debt. Funds are borrowed from the Federal Financing Bank.

Federal National Mortgage Association

(a) Statutory authority: Title III, National Housing Act, as amended by Title VIII, Housing and Urban Development Act of 1968 (PL 90-448). Off-budget status based on ownership of all capital stock by eligible lending institutions (estimated at about \$900 million).

(b) Congressional control: Oversight and legislative responsibility is assigned to the Banking Committees. One-third of the members of the Board of Directors is appointed by President with Senate confirmation.

(c) Budget impact and funding levels: Budget authority for FY 1977: \$7,123 million. Estimated outlays for FY 1977: \$3,776 million.

(d) Relationship to other Federal activities: FNMA deals in FHA-insured and VA-guaranteed mortgages and, under the "tandem plan", repurchases mortgages from the Government National Mortgage Association (on-budget). The Secretary of HUD has certain directive authorities; the Secretary of the Treasury may provide a \$2.25 billion backstop for FNMA debentures.

Banks for cooperatives

(a) Statutory authority: Farm Credit Act of 1933. Off-budget status based on ownership of all capital stock by borrowers.

(b) Congressional control: Oversight and legislative responsibility is assigned to the Agriculture Committees. The Senate confirms appointment of the Farm Credit Administrator, who supervises the banks.

(c) Budget impact and funding levels: Obligational authority for FY 1977: \$1,033 million. Outlays for FY 1977: \$450 million.

(d) Relationship to other Federal activities: Supervised by Farm Credit Administration (on budget) to which the Banks contribute for administrative costs; activities coordinated with production credit associations, federal intermediate credit banks, federal land banks.

Federal intermediate credit banks

(a) Statutory authority: Agricultural Credit Act of 1923. Off-budget status based on ownership of capital stock by borrowers. No capital stock owned by the Federal government.

(b) Congressional control: Oversight and legislative responsibility is assigned to the Agriculture Committees. The Senate confirms

appointment of the Farm Credit Administrator, who supervises the Banks.

(c) Budget impact and funding levels: Budget authority for FY 1977: \$2,194 million. Estimated outlays for FY 1977: \$1,759 million.

(d) Relationship to other Federal activities: The Banks are supervised by the Farm Credit Administration (on budget), to which the Banks contribute for administrative costs; the Banks supervise production credit corporations; bank activities are coordinated with the Banks for Cooperatives, and the Federal Land Banks.

Federal land banks

(a) Statutory authority: Federal Farm Loan Act of 1916. Off-budget status is based on ownership of all capital stock by borrowers.

(b) Congressional control: Oversight and legislative responsibility is assigned to the Agriculture Committees. The Farm Credit Administrator is confirmed by the Senate.

(c) Budget impact and funding levels: Budget authority for FY 1977: \$6,562 million. Estimated outlays for FY 1977: \$2,621 million.

(d) Relationship to other Federal activities: The Banks are supervised by the Farm Credit Administration (on budget), to which the Banks contribute for administrative expenses; Bank activities are coordinated with the Banks for Cooperatives and the Federal Intermediate Credit Banks.

Federal home loan banks

(a) Statutory authority: Federal Home Loan Bank Act of 1932. Off-budget status is based on ownership of all capital stock by member-borrowers.

(b) Congressional control: Oversight and legislative responsibility is assigned to the Banking Committees. The Senate confirms members of Federal Home Loan Bank Board, who supervise the Banks. Expenses of the FHLB Board, derived from fees paid by the Banks and the FSLIC, are limited in Appropriations Acts.

(c) Budget impact and funding levels: Budget authority for FY 1977: \$2,048 million. Estimated outlays for FY 1977: \$2,047 million.

(d) Relationship to other Federal activities: The Banks are supervised by the Federal Home Loan Bank Board (on budget), to which the Banks contribute for administrative expenses. The Banks provide capital funding for the Federal Home Loan Mortgage Corporation. The Secretary of Treasury provides a conditional backstop of \$4 billion.

Federal Home Loan Mortgage Corporation

(a) Statutory authority: Emergency Home Finance Act of 1970 (PL 91-351). Off-budget status is based on private ownership (Federal Home Loan Banks).

(b) Congressional control: Oversight and legislative responsibility is assigned to the Banking Committees. The Senate confirms the members of the Federal Home Loan Bank Board, who are the Board of Directors of FHLMC.

(c) Budget impact and funding levels: Budget authority for FY 1977: \$3,156 million. Estimated outlays for FY 1977: \$3,156 million.

(d) Relationship to other Federal activities: The FHLMC is supervised by the Federal Home Loan Bank Board (on budget), which provided initial capital and acts as the Board of Directors.

APPENDIX

TABLE 1.—GOVERNMENT-OWNED OFF-BUDGET ACTIVITIES BUDGET AUTHORITY, FISCAL YEARS 1974-77

[In millions of dollars]

	1974 actual	1975 actual	1976 estimate	Tansion quarter estimate	1977 estimate
Department of Agriculture:					
Rural electrification and telephone revolving fund.....	758.0	900.0	1,000.0	250.0	1,000.0
Rural telephone bank.....	817.6	923.6	958.9	232.1	1,065.2
Department of Housing and Urban Development: Housing for the elderly or handicapped.....	(1)	(1)	132.4	122.8	355.5
Department of Labor: Pension Benefit Guaranty Corporation.....		100.0			
Department of the Treasury:					
Environmental Financing Authority.....	300.0				
Exchange Stabilization Fund.....			(2)	(2)	(2)
Federal Financing Bank.....	39,107.0	12,864.8	9,373.4	3,954.4	12,214.9
Export-Import Bank.....	2,096.3	1,443.4	2,586.5	615.6	(2)
Board of Governors of the Federal Reserve System ⁴					
U.S. Postal Service.....					
United States Railway Association.....		1,800.0			83,000.0
Energy Independence Authority.....					
Total budget authority.....	43,078.9	18,031.8	14,051.2	5,174.9	97,635.6

¹ Placed off-budget effective Sept. 1, 1974 by the Housing and Community Development Act of 1974.

² Traditionally, the Budget does not estimate transactions of the Exchange Stabilization Fund; actual results, however, are shown.

³ Returned to the unified budget for fiscal 1977 by the Export-Import Bank Act Amendments of 1974.

⁴ The budget of the Board of Governors is presented on a calendar-year basis. Estimates are not shown for calendar year 1977.

Source: "Budget of the United States Government, 1977" (appendix) pp. 909-924; —, 1976 pp. 1047-1065.

TABLE 2.—GOVERNMENT-OWNED OFF-BUDGET ACTIVITIES OUTLAYS, FISCAL YEARS 1974-77

[In millions of dollars]

	1974 actual	1975 actual	1976 pre- liminary	Third quarter estimate	1977 estimate
Department of Agriculture:					
Rural Electrification and Telephone Revolving Fund.....	484.4	476.7	212.8	124.6	547.3
Rural Telephone Bank.....	87.5	109.7	93.3	38.5	148.1
Department of Housing and Urban Development: Housing for the Elderly or Handicapped.....	(1)	-12.9	-14.5	-4.0	111.0
Department of Labor: Pension Benefit Guaranty Corporation.....		-34.0	-21.8	.6	-6.6
Department of the Treasury:					
Environmental Financing Authority.....		96.8	(2)	(2)	(2)
Exchange Stabilization Fund.....	80.9				
Federal Financing Bank.....	602.0	6,355.5	5,914.9	2,762.4	8,191.1
Export-Import Bank.....	1,228.3	1,503.7	746.2	388.2	(2)
Board of Governors of the Federal Reserve System.....	3.4	4.1	-1.9	(1)	(1)
U.S. Postal Service.....	773.3	1,112.2	1,085.5	730.2	1,420.8
United States Railway Association.....		33.6	— .7	-1.0	-2.0
Energy Independence Authority.....					650.0
Total outlays.....	3,259.8	9,645.4	8,013.8	4,039.5	11,059.7

¹ Placed off-budget effective Sept. 1, 1974 by the Housing and Community Development Act of 1974.

² Traditionally, the Budget does not estimate transactions of the Exchange Stabilization Fund; actual results, however, are shown.

³ Returned to the unified budget for fiscal 1977 by the Export-Import Bank Act Amendments of 1974.

⁴ The budget of the Board of Governors is presented on a calendar-year basis. Estimates are not shown for calendar year 1977.

Source: "Budget of the United States Government, 1977" (appendix) pp. 909-924; —, 1976 pp. 1047-1065.

TABLE 3.—GOVERNMENT-SPONSORED CREDIT ENTERPRISES BUDGET AUTHORITY, FISCAL YEARS 1974-77

[In millions of dollars]

	1974 actual	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Department of Health, Education, and Welfare: Student Loan Marketing Association.....	250.0	-----	165.0	60.0	335.0
Department of Housing and Urban Development: Federal National Mortgage Association.....	8,655.0	7,624.0	7,798.0	1,875.0	7,123.0
Farm Credit Administration:					
Banks for Cooperatives.....	833.0	873.8	702.2	286.7	1,033.2
Federal Intermediate Credit Banks.....	1,475.4	1,746.4	1,816.2	683.3	2,194.3
Federal Land Banks.....	3,650.6	5,085.9	5,927.8	1,673.3	6,562.0
Federal Home Loan Bank Board:					
Federal Home Loan Banks ²	6,464.4	3,962.6	-754.0	1,544.8	2,048.4
Federal Home Loan Mortgage Corporation.....	1,058.3	2,229.3	2,273.8	491.0	3,155.9
Adjustment for FHLB/FHLMC duplication.....	-1,209.0	-2,028.5	-212.5	15.2	751.6
Total budget authority.....	21,177.7	19,493.5	17,716.5	6,629.3	23,203.4

¹ Obligational authority represents net increase or decrease in borrowing authorities.² Obligational authority represents net borrowing.

Source: "Budget of the United States Government, 1977" (Appendix) pp. 924-931; —, 1976, pp. 1065-1073.

TABLE 4.—GOVERNMENT-SPONSORED CREDIT ENTERPRISES OUTLAYS, FISCAL YEARS 1974-77

[In millions of dollars]

	1974 actual	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Department of Health, Education, and Welfare: Student Loan Marketing Association.....	249.2	72.9	176.6	62.3	331.6
Department of Housing and Urban Development: Federal National Mortgage Association ¹	4,646.0	3,226.0	2,023.0	776.0	3,776.0
Farm Credit Administration:					
Banks for Cooperatives.....	135.5	612.5	495.5	388.7	450.3
Federal Intermediate Credit Banks.....	1,351.9	1,498.5	1,554.1	407.9	1,759.2
Federal Land Banks.....	2,043.4	2,995.8	2,399.4	695.3	2,621.3
Federal Home Loan Bank Board:					
Federal Home Loan Banks ²	6,411.9	-60.4	-196.8	1,540.2	2,047.4
Federal Home Loan Mortgage Corporation ¹	1,032.5	2,048.0	2,345.7	491.0	3,155.9
Adjustment for FHLB/FHLMC duplication.....	-1,209.0	-2,028.5	-212.5	15.2	751.6
Total outlays.....	14,661.4	8,364.8	8,585.0	4,376.6	14,893.3

¹ Obligational authority represents net increase or decrease in borrowing authorities.² Obligational authority represents net borrowing.

Source: "Budget of the United States Government, 1977" (Appendix) pp. 924-931; —, 1976, pp. 1065-1073.